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NEA FOR FRONT OFFICE; NEA/IPA FOR WILLIAMS/GREENE/WAECHTER;
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E.O. 12958: DECL: 02/24/2015
TAGS: [PGOV](#) [EFIN](#) [EAID](#) [KWBG](#)
SUBJECT: FAYYAD DESCRIBES FLUID POLITICAL SITUATION,
HAMAS-LED PA WON'T SURVIVE FINANCIALLY BEYOND JUNE

REF: A. JERUSALEM 801

[1](#)B. JERUSALEM 802

Classified By: Consul General Jake Walles for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: In a February 25 meeting with visting NEA Assistant Secretary Welch, Third Way party leader and former Finance Minister Salam Fayyad described the political situation as fluid, with Hamas likely to take longer to form a government than previously anticipated and not likely to last beyond June. He said there still was a 50-percent chance that Fatah would decide to participate in a Hamas-led government but that President Abbas could prevent such a development. He described the Hamas leaders that he met with February 23 as nave. Fayyad said the Hamas-led PA would soon go broke, even if Arab states provided the small amounts of budget support that they were sending previously. Fayyad called on the interim PA to tap the assets of the Palestine Investment Fund (PIF) to keep the PA financially afloat until Hamas takes over. He endorsed continuing international assistance to the Palestinian people, including the private sector. Fayyad questioned Abbas' ability to play a leadership role said it was doubtful whether the Presidency was worthy of donor support. Commenting on ongoing Israeli military incursions in Nablus, he said the operations risked provoking a response by Hamas, which in turn could harm Kadima,s electoral prospects. End summary.

Political Situation Fluid

[1](#)2. (C) Third Way party leader Salam Fayyad told Assistant Secretary Welch, Consul General, and the U.S. Security

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Coordinator February 25 that the political situation remained fluid. Fayyad described his February 23 meeting with Hamas leaders (ref A) and stressed that he thought it would take Prime Minister-designate Isma,il Haniyyah longer to form a government than the two weeks that Haniyyah had mentioned publicly. Fayyad stressed that the political situation still depends on what Fatah decides to do. Hamas clearly wants Fatah to join a national unity government, and Fayyad said he believed there was a 50-percent chance that Fatah would join such a government unless President Abbas firmly opposed it. Fayyad pressed Assistant Secretary Welch to reinforce this point with President Abbas; Welch responded that the USG does not want to see Fatah or any independents join a Hamas-led government.

Hamas Leaders "very naive"

13. (C) Fayyad predicted that the Hamas government would fail by June "at the latest" due to lack of funds and the incompetence of its leaders, who were "very nave," with no experience running large organizations. One Hamas leader with whom Fayyad met had mistakenly thought that the customs clearance revenue was assistance and not taxes already paid by Palestinians.

Solidarity of International Community

14. (C) Fayyad asked Assistant Secretary Welch how solid international consensus was on withholding assistance from a Hamas-led PA. Welch said that he believed the international community would be able to stay together, adding that there was widespread support to help the Palestinian people. Welch stressed that he did not believe Hamas would get the budget support it would need in order to keep the PA financially afloat. He said that neither the Kuwaitis nor the Saudis would fund a Hamas government, although the Qataris might feel obliged to make a small contribution at some point. Fayyad responded that even if Arab states provided the small amounts of budget support that they were sending previously, that would not be enough to keep the PA afloat.

15. (C) Fayyad acknowledged that he had heard some "quite nuanced" positions from the Israeli side on the ramifications of withholding the clearance revenue. Welch concurred that he had heard similar remarks but that he thought it unlikely that the GOI would do anything before the elections.

Assistance Recommendations

16. (C) In terms of directing assistance to the Palestinian people, Fayyad acknowledged that this was largely how the USAID program had been structured; therefore he did not see

the need for much of an adjustment. He suggested that assistance also be directed to the private sector. He also encouraged the continued flow of assistance through UNRWA, especially from the Europeans. He cautioned against redirecting assistance to the Palestinian Economic Council for Development and Reconstruction (PECDAR), noting that it was an institution that should have gone out of business when the PA was created since it works so closely with the PA, anyway.

17. (C) Fayyad said that the concept of a clearinghouse for assistance, run by the World Bank, could be helpful, especially for donors, like the Europeans, who prefer to channel assistance through entities like the World Bank Reform Trust Fund so that it does not appear that they alone are making disbursement decisions.

PIF Should be Used Now

18. (C) Fayyad said he was dismayed that President Abbas was allowing the PIF to be managed in the "old way," i.e., with little transparency. He described the creation of a transparent and audited PIF as one of the few success stories of the PA over the last two to three years. Fayyad said he blamed the Khoury family for its undue influence over Abbas (ref B).

19. (C) Fayyad questioned how safe the PIF's assets were under the fund's current structure. He said that if the assets are misused, i.e., not used for the benefit of the Palestinian people, Hamas would likely use the issue to embarrass Abbas. Fayyad also said he thought that Abbas and his advisors would not be able to protect this money from Hamas; he failed to understand why they were not using the PIF to fund the PA during the current interim phase when other funding sources were so scarce. Fayyad said that he had regularly used the PIF to keep the PA afloat while he was Finance Minister; that had been the key factor in paying

salaries on time for 36 months. He stressed that the PIF was a reserve for the Palestinian people; the fund was created with money siphoned from government revenue and monopolies back in the "bad old days."

An Expanded Role for the President?

¶10. (C) Fayyad questioned President Abbas' ability to play a leadership role. He said that if Rashid Abu Shubak is appointed as Director General of the Interior Ministry, it would help shield the security services from Hamas influence.

Fayyad expressed skepticism that Abbas would actually play a real security role, however. Maintaining a role for Naser Yusif, for instance, would be a complete disaster.⁸

¶11. (C) Regarding possible international interest in strengthening the PA Presidency, Fayyad criticized the current Presidency as a group of weak amateurs⁸ and expressed skepticism that such an effort would be worthwhile.

He expressed doubt that a beefed-up presidency could manage security or the economy.

GOI Playing with Fire in Nablus

¶12. (C) Fayyad pressed Assistant Secretary Welch to caution the Israeli government on their recent military activities in the West Bank, especially in Nablus. While Fayyad understood the political dynamics with the upcoming Knesset elections, he said Israel was playing with fire.⁸ He said that Hamas was under pressure to react, which could hurt Kadima's chances.

¶13. (U) A/S Welch cleared this message.

WALLES